













**EXCO TECHNOLOGIES LIMITED**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

*\$(000)'s except per share amounts*

**1. CORPORATE INFORMATION**

Exco Technologies Limited (the “Company”) is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. Through 20 strategic locations in 9 countries, the Company services a diverse and broad customer base. The Company is incorporated and domiciled in Canada. The registered office is located at 130 Spy Court, Markham, Ontario, Canada.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

These unaudited condensed interim consolidated financial statements present the Company’s financial results of operations and financial position as at and for the three- and twelve- month periods ended September 30, 2022 and have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). The accounting policies used in preparing these unaudited condensed interim financial statements are consistent with those used in the preparation of the 2021 audited annual consolidated financial statements.

The Company’s preparation of unaudited condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the application of the Company’s accounting policies. The Company’s critical accounting estimates are affected as a result of the various ongoing economic, geopolitical and social impacts, including the global pandemic, Russian invasion of Ukraine and recessionary conditions. There continues to be significant uncertainty as to the likely effects these items which may, among other things, impact our employees, suppliers, and customers. It is not possible to predict the impact these items will have on the Company, its financial position and the results of operations in the future. The Company is monitoring the future impact of all these items on all aspects of its business. Each reporting period, management carries out this assessment for indications that goodwill and other long-lived assets may be impaired. As required, management will continue to assess these assumptions as the situation changes.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s 2021 audited annual consolidated financial statements, which are available at [www.sedar.com](http://www.sedar.com) and on the Corporation’s website at [www.excocorp.com](http://www.excocorp.com). The unaudited condensed interim consolidated financial statements and accompanying notes for the three- and twelve- month periods ended September 30, 2022 were authorized for issue by the Board of Directors on November 29, 2022.

**Basis of consolidation**

The condensed interim consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, its subsidiaries. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all of the following: power over the investee; exposure or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. The financial statements of the subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

**Accounting standards issued but not yet adopted**

All pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s financial statements is provided below. Certain other new standards, amendments and interpretations to existing standards may have been issued but are not expected to have a material impact to the Company’s financial statements.

*IAS 37 Provisions, Contingent Liabilities, and Contingent Assets*

Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2022 the IASB







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**Carrying amounts**

As at September 30, 2021	\$774	\$24,999	\$10	\$25,783	\$61,861
<b>As at September 30, 2022</b>	<b>\$1,733</b>	<b>\$32,689</b>	<b>\$24</b>	<b>\$34,446</b>	<b>\$88,699</b>

\*Acquisition intangibles are comprised of customer relationships and trade names resulting from business acquisitions and the purchase price allocation thereof.

**6. FINANCIAL INSTRUMENTS**

Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Presented below is a comparison of the fair value of each financial instrument to its carrying value.

The fair value of cash and cash equivalents, bank indebtedness, trade and other receivables and trade and other payables approximates their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying value since debt is subject to terms and conditions similar to those available to the Company for instruments with comparable terms, and the interest rates are variable and a reflection of market-based rates.

The fair value of derivative instruments that are not traded in an active market such as over-the-counter foreign exchange options and collars is determined using quoted forward exchange rates at the consolidated statement of financial position dates and are Level 2 instruments.

During the three- and twelve - month periods ended September 30, 2022 there were no transfers between Level 1 and Level 2 fair value measurements.

The carrying value and fair value of all financial instruments are as follows:

	September 30, 2022		September 30, 2021	
	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash and cash equivalents	\$17,024	\$17,024	\$24,098	\$24,098
Accounts receivable	113,940	113,940	83,130	83,130
Trade accounts payable	(51,359)	(51,359)	(33,793)	(33,793)
Bank indebtedness	(12,363)	(12,363)	(5,540)	(5,540)
Customer advance payments	(3,169)	(3,169)	(4,814)	(4,814)
Accrued liabilities	(34,541)	(34,541)	(25,667)	(25,667)
Derivative instruments	2,066	2,066	546	546
Lease liabilities – long term portion	(6,650)	(6,650)	-	-
Long-term debt	(\$95,000)	(\$95,000)	\$-	\$-

**7. LONG-TERM DEBT**

On February 23, 2022, the Company renewed the Committed Revolving Credit Facility increasing amount to \$125,000 and to extend the maturity date to February 28, 2025. As at September 30, 2022 \$106,828 was utilized (September 30, 2021 - \$4,948). The facility is collateralized by a general security agreement covering all assets of the Company's subsidiaries located in Canada and the US, with the exception of real property.

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The Credit Facility is available to fund working capital, capital expenditures and other general corporate purposes of the Company and its subsidiaries, including acquisitions. Interest rates vary based on prime, bankers' acceptance or CDOR base rates plus a relevant margin depending on the level of the Company's net leverage ratio.

Pursuant to the terms of the Credit Facility, Exco is required to maintain compliance with certain financial covenants. The Company was in compliance with these covenants as at September 30, 2022.

Effective November 7, 2022 the Company closed an amendment to increase the Credit Facility by \$25,000 to \$150,000 with no changes to terms or conditions.

## **8. SHARE CAPITAL**

In each of February 2022 and 2021 the Company received approval from the Toronto Stock Exchange for a normal course issuer bid for the following 12-month period. The Company's Board of Directors authorized the purchase of up to 1,955,000 and 1,960,000 common shares under each of these normal course issuer bids, respectively, which represented approximately 5% of the Company's outstanding common shares at each approval date. During the fourth quarter and year- to- date no common shares and 285,033 common shares were repurchased respectively (2021- nil, nil).

As at September 30, 2022 the Company had 38,912,464 common shares issued and outstanding.

## **9. SEGMENTED INFORMATION**

### **Business segments**

The Company operates in two business segments: Casting and Extrusion Technology ("Casting and Extrusion") and Automotive Solutions. The accounting policies followed in the operating segments are consistent with those outlined in note 2 to the consolidated financial statements.

The Casting and Extrusion segment designs and engineers tooling and other manufacturing equipment. Its operations are substantially for automotive and other industrial markets in North America and Europe.

The Automotive Solutions segment produces automotive interior components and assemblies primarily for seating, cargo storage and restraint for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers).

The Company evaluates the performance of its operating segments primarily based on pre-tax income before interest and other expense.

The Corporate segment involves administrative expenses that are not directly related to the business activities of the above two operating segments.

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<b>Three Months Ended September 30, 2022</b>				
	<b>Casting and Extrusion</b>	<b>Automotive Solutions</b>	<b>Corporate</b>	<b>Total</b>
Sales	\$81,122	\$66,824	\$-	\$147,946
Intercompany sales	(6,729)	(806)	-	(7,535)
Net sales	74,393	66,018	-	140,411
Depreciation	5,678	743	25	6,446
Amortization	337	829	-	1,166
Segment pre-tax income (loss) before interest	2,558	6,478	(110)	8,926
Net interest expense				(1,392)
Income (loss) before income taxes				7,534
Property, plant and equipment additions	11,248	4,702	150	16,100
Property, plant and equipment additions from business acquisition	25,729	-	-	25,729
Property, plant and equipment, net	173,730	32,025	1,348	207,103
Intangible asset additions	259	29	-	288
Intangible asset additions from business acquisition	9,649	-	-	9,649
Intangible assets, net	10,713	23,733	-	34,446
Goodwill	26,051	62,648	-	88,699
Total assets	357,708	231,966	(13,358)	576,316
Total liabilities	63,340	59,809	104,658	227,807

<b>Three Months Ended September 30, 2021</b>				
	<b>Casting and Extrusion</b>	<b>Automotive Solutions</b>	<b>Corporate</b>	<b>Total</b>
Sales	\$51,958	\$56,988	\$-	\$108,946
Intercompany sales	(2,330)	(174)	-	(2,504)
Net sales	49,628	56,814	-	106,442
Depreciation	3,732	851	22	4,605
Amortization	116	786	-	902
Segment pre-tax income (loss) before interest	5,937	4,546	(703)	9,780
Net interest expense				(107)
Income (loss) before income taxes				9,673
Property, plant and equipment additions	10,560	1,190	-	11,750
Property, plant and equipment, net	124,322	23,899	1,253	149,474
Intangible asset additions	39	9	-	48
Intangible assets, net	664	25,119	-	25,783
Goodwill	-	61,861	-	61,861
Total assets	233,089	208,070	(11,032)	430,127
Total liabilities	36,030	44,246	4,793	85,069

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Twelve Months Ended September 30, 2022				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$253,500	\$256,056	\$-	\$509,556
Intercompany sales	(17,466)	(2,147)	-	(19,613)
Net sales	236,034	253,909	-	489,943
Depreciation	18,216	3,135	94	21,445
Amortization	721	3,206	-	3,927
Segment pre-tax income (loss) before interest	11,970	20,904	(5,229)	27,645
Net interest expense				(2,446)
Income before income taxes				25,199
Property, plant and equipment additions	40,422	11,487	203	52,112
Property, plant and equipment additions from business acquisition	25,729	-	-	25,729
Property, plant and equipment, net	173,730	32,025	1,348	207,103
Intangible asset additions	1,249	144	-	1,393
Intangible asset additions from business acquisition	9,649	-	-	9,649
Intangible assets, net	10,713	23,733	-	34,446
Goodwill	26,051	62,648	-	88,699
Total assets	357,708	231,966	(13,358)	576,316
Total liabilities	63,340	59,809	104,658	227,807

Twelve Months Ended September 30, 2021				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$207,449	\$265,085	\$-	\$472,534
Intercompany sales	(9,479)	(1,884)	-	(11,363)
Net sales	197,970	263,201	-	461,171
Depreciation	13,964	3,359	89	17,412
Amortization	487	3,183	-	3,670
Segment pre-tax income (loss) before interest	25,734	30,682	(7,434)	48,982
Net interest expense				(405)
Income before income taxes				48,577
Property, plant and equipment additions	35,300	3,126	-	38,426
Property, plant and equipment, net	124,322	23,899	1,253	149,474
Intangible asset additions	228	59	-	287
Intangible assets, net	664	25,119	-	25,783
Goodwill	-	61,861	-	61,861
Total assets	233,089	208,070	(11,032)	430,127
Total liabilities	36,030	44,246	4,793	85,069

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**10. NET CHANGE IN NON-CASH WORKING CAPITAL**

	Twelve months ended September 30	
	2022	2021
Accounts receivable	( <b>\$18,453</b> )	(\$3,519)
Inventories	( <b>13,165</b> )	(18,191)
Prepaid expenses and deposits	( <b>708</b> )	(668)
Trade accounts payable	<b>10,204</b>	1,795
Accrued payroll liabilities	( <b>1,013</b> )	2,742
Other accrued liabilities	<b>4,161</b>	482
Provisions	<b>209</b>	1,034
Customer advance payments	( <b>1,776</b> )	1,317
Income taxes recoverable	( <b>5,702</b> )	(41)
	<b>(\$26,243)</b>	(\$15,049)

**11. INCOME TAXES**

The consolidated effective income tax rates for the three- and twelve- month periods ended September 30, 2022 were 26.1% and 24.7% respectively (three- and twelve- month periods ended September 30, 2021 – 26.7% and 20.9%). The higher income tax rate was negatively impacted by non-deductible start-up losses, geographic distribution and foreign tax rate differentials.

**12. GOVERNMENT ASSISTANCE**

As a result of the impact of COVID-19, the Company has applied to multiple government assistance programs. During the three- and twelve- month periods ended September 30, 2022 the Company recorded nil assistance - (2021 – \$7 and \$500). This assistance was recorded as a reduction of selling, general and administrative expense.

**13. ACQUISITION**

On May 2, 2022 the Company completed the acquisition of 100% of the ownership interest in Halex extrusion operations (“Halex”) for consideration of \$60.2 million. Halex Extrusion Dies operates four key manufacturing locations – two in Germany and two in Italy.

Management determined that the assets and processes comprised a business and therefore accounted for the transaction as a business combination using the acquisition method of accounting with the results of operations included in the Company’s consolidated financial statements from the date of acquisition. The results of Halex are reported within the Casting and Extrusion segment.

Assets acquired and liabilities assumed have been recorded at their estimated fair value at the date of acquisition as follows:

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Cash and cash equivalents	\$ 2,592
Accounts receivable	10,750
Inventories	5,198
Other current assets	153
Property, plant and equipment	25,729
Intangible assets	9,649
Current liabilities	(13,722)
Lease liabilities – long term portion	(6,650)
Deferred tax liability	(3,264)
<hr/>	
Net identifiable assets	30,435
Residual purchase price allocated to goodwill	29,773
	<hr/> <b>\$60,208</b> <hr/>
Acquisition funded as follows:	
Cash	\$ 60,208
	<hr/> <b>\$ 60,208</b> <hr/>

The Company incurred acquisition related costs of \$584 were expensed under selling, general and administrative expenses on the condensed interim consolidated statements of income and comprehensive income (loss).

The fair value of trade accounts receivable equals the gross amount of the trade accounts receivable less allowance for bad debts and amounts to \$9,871. The net contractual amount was considered collectible at the date of acquisition.

The primary factors that contributed to the residual purchase price allocation and resulted in the recognition of goodwill are: the existing Halex business; the acquired workforce; and the combined strategic value to the Company's growth plan.

## **CORPORATE INFORMATION**

Exco Technologies Limited is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 20 strategic locations in 9 countries, we employ approximately 5,000 people and service a diverse and broad customer base.

Telephone: 905-477-3065

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Web: [www.excocorp.com](http://www.excocorp.com)

## **TORONTO STOCK EXCHANGE LISTING**

TSX:XTC, OTCQX:EXCOF

## **DIRECTORS**

Edward H. Kernaghan

Darren M. Kirk, President and CEO

Robert B. Magee, Lead Director

Colleen M. McMorrow

Paul E. Riganelli

Brian A. Robbins, Executive Chairman

## **CORPORATE OFFICERS**

Brian A. Robbins, PEng

Executive Chairman

Darren M. Kirk, CFA, MBA

President and CEO

Matthew Posno, CPA, CA, MBA

Vice President Finance, CFO and Secretary

Paul E. Riganelli, MA, MBA, LLB

Executive Vice President

## **TRANSFER AGENT**

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